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STATE FOR EB/CIP AND EAP/ANP FOR DRICCI
STATE PASS TO USTR FOR BWEISEL
COMMERCE FOR 4530/ITA/MAC/AP/OSAO/ARI BENAISSA
COMMERCE FOR 6920/ITA/OTEC/MYLES DENNY-BROWN

E.O. 12958: N/A

TAGS: [ECPS](#) [ECON](#) [ETRD](#) [NZ](#)

SUBJECT: ONCE AGAIN, NEW ZEALAND REGULATOR SUPPORTS CUT IN
MOBILE TERMINATION RATES

REF: A. 2005 WELLINGTON 616

[B](#). 2005 WELLINGTON 461

[C](#). 2004 WELLINGTON 598

[1](#). The New Zealand Commerce Commission for the second time has issued a recommendation to reduce the high fees that mobile phone companies charge to terminate calls on their networks. Before acting on the recommendation, the Communications Minister has allowed three more weeks for public submissions on the issue. That gives New Zealand's two mobile-phone service providers time to come up with yet another offer of voluntary rate cuts to forestall regulation.

[2](#). The commission, which functions as New Zealand's anti-monopoly watchdog, in May 2004 began investigating mobile termination rates, which are the fees that fixed-line network operators are charged when calls are completed on mobile telephone networks (ref C). U.S. telephone service companies have complained that fees incurred on calls passed into New Zealand are among the highest of OECD countries. The commission in June 2005 issued a report recommending that the rates be regulated and, thus, reduced (ref B). The commission found that a lack of competition in the wholesale market had resulted in the two mobile network operators setting rates significantly higher than the costs they incurred.

[3](#). Communications Minister Cunliffe in August 2005 bounced the issue back to the commission, asking that it examine offers made by the country's two mobile-phone companies -- Vodafone New Zealand and Telecom New Zealand -- to voluntarily reduce their termination rates (ref A).

[4](#). On May 1, Cunliffe made public the commission's final report, which again recommended regulation of the fees and extended its suggestion to all voice calls. The commission's previous recommendation excluded calls made over third-generation (3G) mobile networks so as not to discourage investment in the new 3G technology. Cunliffe can accept or reject the commission's recommendation or again send it back to the commission for reconsideration. If he accepts the recommendation, the commission then would set the mobile termination rates, most likely based on benchmarking against other OECD countries.

[5](#). The commission estimated the cost of providing mobile termination to be about NZ 15 cents (US 9.5 cents) per minute, while the New Zealand mobile network operators have been charging an average of NZ 27 cents (US 17 cents) per minute. The fee charged overseas carriers has been almost US

6 cents higher than that. Both Vodafone and Telecom oppose regulation of the mobile fees.

¶6. A copy of the commission's 112-page decision can be found on its website, www.comcom.govt.nz.

¶7. Comment: Vodafone and Telecom already have had one opportunity to submit a proposal for voluntary rate reductions. Minister Cunliffe's patience appears to be wearing thin, especially as public opinion has turned against the large telephone companies. He is likely to accept the commission's recommendation.
McCormick